TRILLIUM HEALTH RESOURCES

FINANCIAL STATEMENTS AND
COMPLIANCE REPORTS

As of and for the Year Ended June 30, 2022

And Report of Independent Auditor

Cherry Bekaert LLP

Your Guide Forward

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Cherry Bekaert LLP
Your Guide Forward

Report of Independent Auditor

To the Area Board of Directors
Trillium Health Resources
Greenville, North Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Trillium Health Resources (the "Agency") as of and for the year ended June 30, 2022, and the related financial statements, which collectively comprise the Agency's basic financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the statements of the business-type activities and the aggregate remaining fund information of the Agency as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Agency to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal-control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The supplementary information as listed in the table of contents, as well as the schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the State Single Audit Implementation Act*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2022, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Raleigh, North Carolina
October 31, 2022

As management of Trillium Health Resources (the "Agency"), we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2022. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Agency's financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of resources of the Agency exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by $187,559,873 (net position).
- The Agency's total net position increased approximately $63 million (or 44.62%) to $187.6 million, as compared to the previous year's-end. The overall increase in net position is primarily related to increase in federal and state funding.
- Investment in capital assets decreased approximately $867,000 (or 10.66%), compared to 2021, primarily due to the sales of buildings and equipment.
- Restricted net position increased approximately $15 million (22.55%), compared to 2021, as a result of the Medicaid waiver contract requirement to reserve 2% of Medicaid waiver revenues until 15% of such revenues have been reserved.
- Unrestricted net position increased approximately $49 million (102.44%), compared to 2021.
- Operating revenues increased approximately $88 million (14.23%), and operating expenses increased approximately $21 million (3.46%) primarily related to 2021.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements consist of two components: (1) government-wide financial statements and (2) notes to the basic financial statements.

The prior-period information in this MD&A is not consistent with the current-period information as a result of a change in accounting principle, Governmental Accounting Standards Board ("GASB") 87, *Leases*, as the effect on the prior period financial statements was not significant to the reader. See footnote 2 to the financial statements for additional information.

Overview of the Agency

The Agency's primary mission is to manage a publicly funded healthcare system which addresses the mental health, substance abuse, and intellectual and developmental disability needs of citizens in the 28-county catchment area. The Agency's operations are funded primarily through Medicaid waiver funds, as well as federal and state grants.

Government-Wide Financial Statements

The government-wide financial statements include the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. The Agency operates similar to a private business and, therefore, utilizes the proprietary fund method of accounting. This method provides both short and long-term financial information and requires that revenue and expenses are recognized on the full accrual basis of accounting.

The Statement of Net Position presents information on all of the Agency's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the Agency's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

The Statement of Cash Flows presents information reconciling current year operations and the change in the Statement of Net Position to the net change in cash during the year.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Agency's progress in funding its obligation to provide pension benefits to its employees.

Statement of Net Position

A summary of the Agency's Statement of Net Position at June 30, 2022 is presented in Table A-1.

Table A-1
Condensed Statement of Net Position

	June 30,	
	2022	**2021**
Current and other assets	$ 253,824,457	$ 161,391,281
Leased assets	4,189,162	-
Capital assets	7,016,635	8,137,072
Total Assets	265,030,254	169,528,353
Deferred outflows of resources	10,542,039	7,830,528
Current liabilities	61,355,661	32,884,698
Long-term liabilities	16,134,153	18,830,227
Total Liabilities	77,489,814	51,714,925
Deferred inflows of resources	10,522,606	1,496,017
Net Position:		
Investment in capital assets	7,269,881	8,137,072
Restricted	83,688,808	68,292,192
Unrestricted	96,601,184	47,718,675
Total Net Position	$ 187,559,873	$ 124,147,939

Net position may serve over time as one useful indicator of a government's financial condition. The assets of the Agency exceeded liabilities by $187.6 million as of June 30, 2022. The Agency's net position increased by approximately $63 million for the fiscal year ended June 30, 2022.

An additional portion of the Agency's net position represents resources that are subject to external restrictions on how they may be used. A percentage of the net position is restricted by the Medicaid B Waiver and C Waiver contract. The remaining balance represents the net investment in capital assets.

Statement of Revenues, Expenses, and Changes in Net Position

While the Statement of Net Position shows the net position of the Agency at the beginning and end of the fiscal year, the Statement of Revenues, Expenses, and Changes in Net Position provides answers to the nature and source of these changes.

Table A-2
Condensed Statement of Changes in Net Position

	Year Ended June 30,	
	2022	**2021**
Operating Revenues:		
Federal, state, and local funding	$ 105,116,620	$ 113,157,521
Medicaid waiver revenues	592,876,172	503,141,785
Other income	6,333,658	294,256
Total Operating Revenues	704,326,450	616,593,562
Operating Expenses:		
Personnel expenses	44,886,804	41,462,295
Administrative expenses	26,611,763	20,452,651
Depreciation expense	1,716,495	1,250,378
Medicaid waiver services, contracts, and grants	567,763,644	556,341,550
Other	89,339	110,702
Total Operating Expenses	641,068,045	619,617,576
Nonoperating Revenues:		
Interest income	153,529	380,002
Total Nonoperating Revenues	153,529	380,002
Change in net position	63,411,934	(2,644,012)
Total net position, beginning of year	124,147,939	126,791,951
Total net position, end of year	$ 187,559,873	$ 124,147,939

The Agency's total operating revenues increased by 14.23% in 2022, primarily related to 2021 funds. The Agency's operating expenses increased by approximately 3.46% in 2022 due to services provided under the Medicaid waiver, state, and other grant related sources. Overall, total revenue exceeded expenses by approximately $63 million, resulting in a net increase in net position for the current period.

Budgetary Analysis

Over the course of the year, the Agency revised the budget several times primarily due to revisions in expected funding from state, federal, and local sources, including the Medicaid waiver contract.

Capital Assets and Debt Administration

The Agency's investment in capital assets as of June 30, 2022, totaled $7.02 million, net of accumulated depreciation, as shown in Table A-3. These assets include land, leasehold improvements, furniture and other equipment, and vehicles. Capital assets increased during the year with new equipment additions.

Table A-3
Capital Assets

	June 30, 2022	June 30, 2021
Land	$ 1,794,228	$ 1,794,228
Buildings	3,807,562	4,125,656
Other improvements	245,539	257,072
Equipment and other	1,169,306	1,960,116
Total Capital Assets	$ 7,016,635	$ 8,137,072

As of June 30, 2022, the Agency had a right-to-use asset of $4,549,980 less accumulated amortization of $360,818 for right-to-use asset, net of $4,189,162.

Additional information on the Agency's capital assets can be found in Note 5 of the basic financial statements.

At June 30, 2022, the Agency had no outstanding debt associated with these capital assets.

Economic and Other Factors and Next Year's Budget

A number of economic factors currently affect the financial and operational performance of the Agency for the future including the following:

- The 1115 Waiver seeks to transition Medicaid services in North Carolina from fee-for-service to managed care. As such, services will be offered through two distinct products: Standard Plans and Behavioral Health ("BH") and IDD Tailored Plans. Standard Plans will serve most Medicaid and NC Health Choice enrollees, including adults and children. BH and IDD Tailored Plans will be specifically designed to serve the complex needs of individuals with significant behavioral health disorders, intellectual and developmental disabilities, substance use disorders, and traumatic brain injury—populations LME/MCOs have long served. Trillium was awarded a contract to be a Tailored Plan on July 26, 2021 and expects the plan to go live in April 2023. Both Standard Plans and BH and IDD Tailored Plans will integrate physical health, behavioral health, and pharmacy services to best serve the needs of the individuals.

Requests for Information

The Agency's financial statement is designed to present users with a general overview of the Agency's finances and to demonstrate the Agency's accountability. If you have any questions about the report or need additional financial information, please contact Melissa Owens, Chief Financial Officer, Trillium Health Resources, 144 Community College Road, Ahoskie, North Carolina 29710.

TRILLIUM HEALTH RESOURCES
STATEMENT OF NET POSITION

JUNE 30, 2022

ASSETS	
Current Assets:	
Cash and cash equivalents	$ 140,968,337
Accounts receivable	14,366,519
Prepaid expenses	8,460,243
Total Current Assets	163,795,099
Noncurrent Assets:	
Restricted cash and cash equivalents	83,688,808
Net other postemployment benefits asset	6,340,550
Net right of use lease asset	4,189,162
Capital Assets:	
Land and construction in progress	1,794,228
Other capital assets (net of accumulated depreciation)	5,222,407
Total Noncurrent Assets	101,235,155
Total Assets	265,030,254
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals	9,579,838
Other postemployment benefits deferrals	962,201
Total Deferred Outflows of Resources	10,542,039
LIABILITIES	
Current Liabilities:	
Accounts payable and other current liabilities	10,999,865
Unearned revenue	9,620,316
Liability for claims incurred, but not reported	39,854,587
Compensated absences - current portion	225,000
Lease liability - current portion	655,893
Total Current Liabilities	61,355,661
Noncurrent Liabilities:	
Compensated absences - long term	2,761,601
Net pension liability	6,153,401
Net other postemployment benefits liability	3,939,128
Lease liability - long term	3,280,023
Total Noncurrent Liabilities	16,134,153
Total Liabilities	77,489,814
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	8,987,639
Other postemployment benefits deferrals	1,478,834
Lease deferrals	56,133
Total Deferred Inflows of Resources	10,522,606
NET POSITION	
Investment in capital assets	7,269,881
Restricted:	
Medicaid risk reserve	83,688,808
Unrestricted	96,601,184
Total Net Position	$ 187,559,873

The accompanying notes to the financial statements are an integral part of these statements.

TRILLIUM HEALTH RESOURCES
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2022

Operating Revenues:	
Federal, State, and Local Funding:	
Federal	$ 24,932,137
State	74,730,343
Local	5,454,140
Total Federal, State, and Local Funding	105,116,620
Medicaid waiver services and administration	592,876,172
Other income	6,333,658
Total Operating Revenues	704,326,450
Operating Expenses:	
Personnel	44,886,804
Professional services	13,960,954
Supplies and materials	690,301
Current obligations and services	1,795,334
Fixed charges and expenses	10,165,174
Depreciation and amortization	1,716,495
Medicaid waiver services, contracts, and grants	567,763,644
Other	89,339
Total Operating Expenses	641,068,045
Operating Income	63,258,405
Nonoperating Income:	
Interest income	153,529
Changes in net position	63,411,934
Net position, beginning of year	124,147,939
Net position, end of year	$ 187,559,873

The accompanying notes to the financial statements are an integral part of these statements.

TRILLIUM HEALTH RESOURCES
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2022

Cash flows from operating activities:	
Cash received from federal, state, and local agencies	$ 707,202,907
Cash payments to suppliers of goods and services	(577,028,674)
Cash payments for employee salary and benefits	(44,941,580)
Other cash payments, net	3,672,835
Net cash flows from operating activities	88,905,488
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(90,622)
Cash flows from investing activities:	
Interest earned on investments	153,529
Net change in cash, restricted cash, and cash equivalents	88,968,395
Cash, restricted cash, and cash equivalents, beginning of year	135,688,750
Cash, restricted cash, and cash equivalents, end of year	$ 224,657,145
Reconciliation of operating income to net cash flows from operating activities:	
Operating income	$ 63,258,405
Adjustments to reconcile operating income to net cash flows from operating activities:	
Depreciation and amortization	1,716,495
Changes in assets and liabilities:	
Accounts receivable	(410,201)
Net right of use lease asset	(4,694,598)
Prepaid expenses	(2,660,823)
Net other postemployment benefits asset	(393,757)
Deferred outflows of resources	(2,711,511)
Accounts payable and other current liabilities	4,131,336
Unearned revenue	9,620,316
Lease liability	3,935,916
Liability for claims incurred, but not reported	14,063,418
Net pension liability	(7,782,960)
Net other postemployment benefits liability	1,668,205
Compensated absences	138,658
Deferred inflows of resources	9,026,589
Net cash flows from operating activities	$ 88,905,488
Cash and cash equivalents per statement of net position	
Unrestricted	$ 140,968,337
Restricted	83,688,808
Total cash, restricted cash, and cash equivalents per statement of net position	$ 224,657,145

The accompanying notes to the financial statements are an integral part of these statements.

TRILLIUM HEALTH RESOURCES
STATEMENT OF FIDUCIARY NET POSITION – OPEB TRUST FUND

YEAR ENDED JUNE 30, 2022

ASSETS	
Cash and cash equivalents	$ 8,879,473
Investments	6,572,712
	$ 15,452,185
FIDUCIARY NET POSITION	
Restricted for postemployment benefits other than pensions	$ 15,452,185

The accompanying notes to the financial statements are an integral part of these statements.

TRILLIUM HEALTH RESOURCES
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – OPEB TRUST FUND

YEAR ENDED JUNE 30, 2022

Additions:	
Net appreciation in fair value of investments	$ (679,097)
Dividend Income	1,202
Interest	18,496
Total Additions	(659,399)
Deductions:	
Administrative expense	(948)
Benefits expense	(281,593)
Total Deductions	(282,541)
Changes in net position	(941,940)
Fiduciary net position, beginning of year	16,394,125
Fiduciary net position, end of year	$ 15,452,185

The accompanying notes to the financial statements are an integral part of these statements.

Note 1—Summary of significant accounting policies

The basic financial statements of Trillium Health Resources (the "Agency") have been prepared in conformity with accounting principles generally accepted in the United States as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Agency's accounting policies are described below.

Reporting Entity – The Agency is a Local Management Entity – Managed Care Organization ("LME-MCO") designated by and functioning under the control of the North Carolina Department of Health and Human Services to provide mental health, developmental disabilities, and substance abuse services in Beaufort, Bertie, Brunswick, Camden, Carteret, Chowan, Columbus, Craven, Currituck, Dare, Gates, Halifax, Hertford, Hyde, Jones, Martin, Nash, New Hanover, Northampton, Onslow, Pamlico, Pasquotank, Pender, Perquimans, Pitt, Tyrrell, and Washington counties. The services include reviewing and evaluating the area needs and programs in mental health, intellectual developmental disabilities, substance use and related fields, and developing jointly with the North Carolina Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, an annual plan for the effective development, use, and control of state and local services and resources in a comprehensive program of mental health service for the residents of the area. The Agency, which is governed by a 12-member Board of Directors appointed by the Boards of Commissioners from the 26-county catchment area, is an area authority empowered by Chapter 122C of the North Carolina General Statutes with the responsibility to oversee and control all activities related to mental health, developmental disabilities, and substance abuse services in its target area. The Agency has no component units, which under generally accepted accounting principles are legally separate entities for which the Agency is financially accountable.

Description of a Local Management Entity – Managed Care Organization – An LME-MCO is an agency in the state of North Carolina, created by North Carolina General Statute 122C, that plans, develops, implements, and monitors behavioral health services within a specified geographic area, according to state requirements. This includes developing a full range of services that provide inpatient and outpatient treatment, services, and/or supports for both Medicaid and uninsured individuals. These services are primarily funded by federal and state grants. The LME-MCO agency also manages behavioral health services in a specific geographic area provided through the State's Medicaid 1915(b)(c) Waiver plan. Under this plan, the Agency receives a contractual capitated fee per member per month and coordinates care through a defined network of providers, physicians, and hospitals.

Basis of Presentation, Government-Wide Statements – The statement of net position and the statement of revenues, expenses, and changes in net position display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. Business-type activities generally are financed through patient fees, intergovernmental revenues, and other non-exchange transactions.

Basis of Presentation – Fund Accounting – The accounts of the Agency are organized and operated on a fund basis. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts recording its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses.

The Agency accounts for its operations as an enterprise fund. An enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Note 1—Summary of significant accounting policies (continued)

The Agency reports the following major enterprise fund:

Enterprise Fund – The Enterprise Fund is the major operating fund of the Agency which accounts for all activity.

The Agency reports the following fiduciary fund type:

OPEB Trust Fund – The Agency maintains two other postemployment benefits ("OPEB") Trust Funds. OPEB Trust Funds are used to report resources that are required to be held in trust for the members and beneficiaries of the plans. The OPEB Trust Funds account for the Agency's contributions for healthcare coverage provided to qualified retirees.

The Enterprise Fund and Fiduciary Fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Agency gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements, and donations. On an accrual basis, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Measurement Focus and Basis of Accounting – The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, and all liabilities associated with the operation of this fund are included on the statement of net position. Net position is the result of deducting all the liabilities and deferred inflows of resources from all the assets and deferred outflows of resources. Total net position is segregated into three components: 1) net investment in capital assets, 2) restricted assets, and 3) unrestricted assets. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net position. Fiduciary funds are also accounted for using this measurement focus and basis of accounting.

Intergovernmental revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

All funds of the Agency are maintained on the modified accrual basis during the year; however, the financial statements for the Agency have been reported on the accrual basis. Under this basis, revenues are recorded when earned and expenses are recorded when incurred. In converting from the modified accrual basis to the full accrual basis, the changes required may include adjustments for uncollected receivables, depreciation, capital outlay, compensated absences, and OPEB.

When both restricted and unrestricted resources are available for use (use is approved by the third party who required the restriction), the Agency uses restricted resources first, then unrestricted resources as they are needed.

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Agency gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements, and donations. On an accrual basis, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Note 1—Summary of significant accounting policies (continued)

Fund Financial Statements – Certain supplementary information for the fund statements is reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in the fund statements. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Agency funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Agency's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

Budgetary Data – The Agency maintains budgetary controls over all funds, as required by North Carolina General Statute ("G.S.") 159-42 (c-d). An annual budget is adopted for the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds. The governing board must approve all amendments. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted. The budget was prepared on the modified accrual basis of accounting. The budget presented in this statement is the budget ordinance amended through June 30, 2022.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Deposits and Investments – All deposits of the Agency are made in board-designated official depositories and are secured as required by North Carolina General Statute 159-31. The Agency may designate, as an official depository, any bank or savings and loan association whose principal office is located in North Carolina. Also, the Agency may establish time deposit accounts, such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Agency to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the state of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high-quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust ("NCCMT").

State law [G.S. 159-30.1] allows the Agency to establish and fund irrevocable trusts for the purpose pf paying postemployment benefits for which the Agency is liable. The Agency's other postemployment benefit trusts are managed by the Agency and operated in accordance with state laws and regulations. The trusts are not registered with the Security and Exchange Commission ("SEC"). G.S. 159-30(g) allows the Agency to make contributions to the Trusts. The Agency invests the proceeds in equities of the United States federal government or short-term fixed income -investments as detailed in G.S. 147-69.2(b) (1-6) and (8).

Note 1—Summary of significant accounting policies (continued)

The Agency's investments and non-money market investments are carried at fair value as determined by quoted market prices.

The NCCMT which consists of two SEC-registered funds, is authorized by G.S. 159-30(c)(8). One of these funds, the Government Portfolio, is a 2a7 fund which invests in treasuries and government agencies and is rated AAAm by Standard & Poor's ("S&P"). The second fund, the Term Portfolio, is a short-term bond fund investing in treasuries, government agencies, and money market instruments allowed under G.S. 159-30. The Term Portfolio has no rating. Both the Government Portfolio and the Term Portfolio are reported at fair value.

Ownership of the North Carolina Short-Term Investment Fund ("NC STIF") is determined on a fair market valuation basis as of fiscal year-end in accordance with the NC STIF operating procedures. NC STIF investments are valued by the custodian using Level 2 inputs which in this case involves inputs – other than quoted prices – included within Level 1 that are either directly or indirectly observable for the asset or liability. The NC STIF is valued at $1 per share. The NC STIF portfolio is unrated and had a weighted average maturity at June 30, 2022 of 0.9 years. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the NC STIF are distributed to participants of the fund.

Cash and Cash Equivalents – The Agency considers demand deposits and investments purchased with an original maturity of three months or less, which are not limited as to use, to be cash and cash equivalents for the statement of cash flows.

Restricted Assets – With the execution of the Medicaid waiver contract between the North Carolina Department of Health and Human Services ("NC DHHS"), the Department of Health Benefits ("DHB"), and the Agency, a restricted risk reserve account was established to maintain a minimum required balance for obligations of the contract. Withdraws and disbursements must be approved by the NC DHHS Secretary. The balance of the risk reserve account is $83,688,808 at June 30, 2022, and considered to be noncurrent. When both restricted and unrestricted resources are available for use (use is approved by the third party who required the restriction if applicable), the Agency uses restricted resources first, then unrestricted resources as they are needed.

Accounts Receivable – All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts when appropriate. This amount is estimated by analyzing the percentage of receivables that were written off in prior years and evaluating current information related to the collectability of individual receivables. The Agency has no allowance for doubtful accounts in the current year.

Prepaid Expenses – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the financial statements.

Net OPEB Asset and Liability – Due to the merger of East Carolina Behavioral Health and CoastalCare, as of July 1, 2015, the Agency is adminstering two separate postemployment benefits plans, East Carolina Behavioral Health's OPEB Plan ("Plan A") and Trillium's OPEB Plan ("Plan B").

Plan A and Plan B's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Contributions are recognized when due, and the Agency will provide the contributions to the plans. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations. Short-term money market debt instruments, deposits, and repurchase agreements are reported at cost or amortized cost, which approximates fair value. Certain longer term United States government and United States agency securities are valued at the last reported sales price. Administration costs of the plans are financed through investment earnings.

Note 1—Summary of significant accounting policies (continued)

Right of Use Lease Asset and Lease Liability - The Agency has recorded right of use lease assets and liabilities as a result of implementing GASB 87, *Leases.* The right of use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right of use assets are amortized on a straight-line basis over the life of the related lease.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Minimum capitalization costs for leasehold improvements, equipment, and vehicles is $5,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets of the Agency are depreciated on a straight-line basis over the following estimated useful lives:

	Years
Buildings and leasehold improvements	40
Furniture and other equipment	3 - 10

The Agency evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used by the Agency are reported at the lower of carrying value or fair value. Impairment losses on capital assets that will continue to be used by the Agency are measured using the method that best reflects the diminished service utility of the capital asset. Any insurance recoveries received as a result of impairment events or changes in circumstances resulting in the impairment of a capital asset are netted against the impairment loss.

Liability for Claims Incurred, but not Reported – Under the Medicaid 1915(b)(c) Waiver, the Agency pays providers for Medicaid claims in the Agency's 26-county catchment area. The Agency estimates claims incurred but not reported ("IBNR") and adds that to claims reported but not paid ("RBNP") as of June 30, reporting the total as liability for claims incurred, but not reported. RBNPclaims include all eligible federal, state, and local claims related to the year ended June 30, 2021, with the exception of Medicaid claims where the eligibilty is longer and the liability is not known. IBNR was estimated to be $39,854,587 as of June 30, 2022.

Long-Term Obligations – Long-term obligations are reported as liabilities and classified as short-term or long-term depending on their respective maturities.

Compensated Absences – Effective January 1, 2021, all employees sick and vacation leave balances were transferred to one leave type entitled paid time off ("PTO"). An expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current portion in the statement of net position.

Agency will pay out upon termination or retirement a total of 240 hours of PTO. Any hours in excess of 240 will be accumulated at the time of retirement and may be used in the determination of length of services for retirement benefit purposes. There is no accrual for PTO in excess of 240 hours as it will not be paid out to the employee.

Note 1—Summary of significant accounting policies (continued)

Net Pension Liability – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System ("LGERS"), and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan members' contributions are recognized in the period in which the contributions are due. The Agency's employer contributions are recognized when due and the Agency has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

Net Position – Net position is classified into three parts: investment in capital assets, restricted, and unrestricted. Unrestricted net position includes the portion of net position that bears no restriction as to use or purpose. Investment in capital assets includes resources invested in capital assets. Restricted net position includes revenue resources that are restricted to specific purposes externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law.

Restricted for Medicaid Risk Reserve – This classification includes the portion of net position that is restricted by the Medicaid 1915 B Waiver and C Waiver.

Revenue and Expense Recognition – The Agency classifies its revenue as operating and nonoperating and its expenses as operating and nonoperating in the accompanying statement of revenues, expenses, and changes in net position. Transactions resulting from the primary purpose of the Agency, which is to provide mental health, developmental disabilities, and substance abuse services in Beaufort, Bertie, Brunswick, Camden, Carteret, Chowan, Columbus, Craven, Currituck, Dare, Gates, Hertford, Hyde, Jones, Martin, Nash, New Hanover, Northampton, Onslow, Pamlico, Pasquotank, Pender, Perquimans, Pitt, Tyrrell, and Washington counties, are reported as operating revenues and expenses. Operating expenses generally result from providing services in connection with the Agency's principal ongoing operations. Operating revenues include monies received from federal, state, and local governments related to providing services to individuals who meet the respective eligibility criteria. Medicaid waiver revenues are recognized when monies are received. Grant revenues are recognized when allowable activities and costs in accordance with related grant requirements are incurred. All revenues and expenses not meeting the definition of operating revenues and expenses are reported as nonoperating revenues and expenses.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an expense until then. The Agency has two items that meet this criterion, contributions made to the pension and OPEB plans in 2022 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Agency has three items that meets the criterion for this category – deferrals of pension and OPEB expense and deferrals of lease expense.

Current Pronouncements – Effective July 1, 2021, the Agency implemented GASB 87, *Leases*. GASB 87 establishes standards for accounting and financial reporting for leases by lessors and lessees. As a lessee, the Agency will record a right-to-use asset and a corresponding lease liability on the statement of net position and will amortize the leased asset on a straight-line basis over the lease term on the statement of changes in net position. The effect on the financial statements as a result of this implementation was to record a right-to-use asset and lease liability in the amount of $4,549,361 on the statement of net position as of July 1, 2021. There was no effect on net position as a result of this implementation.

Note 2—Cash and cash equivalents

Deposits – All of the Agency's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the Federal Depository Insurance coverage level are collateralized with securities held by the Agency in its name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Agency, these deposits are considered to be held by their agents in the entity's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Agency or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Agency under the Pooling Method, the potential exists for undercollaterization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Agency has no formal policy regarding custodial credit risks for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all Pooling Method financial institutions and to monitor them for compliance. The Agency complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2022, the Agency's restricted and unrestricted deposits had a carrying amount of $140,968,337 and a bank balance of $150,368,147. Of the bank balance, $1,140,399 was covered by Federal Depository Insurance; $218,056,105 in interest-bearing deposits was covered by collateral held under the Pooling Method.

At June 30, 2022, the Agency had five certificates of deposits included in unrestricted cash and cash equivalents that had a bank balance and carrying amount of $36,585,420, respectively.

Restricted deposits include cash segregated for the Medicaid risk reserve, which by contractual arrangement with the Agency's funding agency may only be expended for Medicaid waiver or other purposes approved by the funding agency, and which management does not expect to draw on in 2022. This balance of $83,688,808 was held in a separate bank account at June 30, 2022.

Note 3—Investments

At June 30, 2022, the Agency's investments, including the investments held in the OPEB Trust Funds, and maturities were as follows:

Investment by Type	Valuation Measurement Method	Book Value at 6/30/2022	Maturity	Rating
NC Capital Management Trust: Term portfolio	Fair Value Level 1	$ 12,718,573	0.15 years	AAAm
North Carolina Short Term: Investment fund	Fair Value Level 2	6,572,710	0.9 years	Unrated
		$ 19,291,283		

Note 3—Investments (continued)

All investments are measured using the market approach; using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets. Level of fair value hierarchy: Level 1 debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates will adversly affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Agency does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The NC STIF is unrated and had a weighted average maturity of 0.9 years at June 30, 2022.

Credit Risk – The Agency's investment in the North Carolina Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. Government and Agencies, and in high grade money market instruments as permitted under North Carolina General Statute 159-30 as amended. The Agency's investments in U.S. Agencies (U.S. Treasury Bill and U.S Treasury Note) are rated AAA by S&P and the Agency's investments in other U.S. Agencies (Federal Home Loan Bank and Federal Farm Credit Bank) are rated AA+ by S&P.

Concentration of Credit Risk – The Agency places no limit on the amount the Agency may invest in any one issuer. One hundred percent of the Agency's investments are in the North Carolina Capital Management Trust Term Portfolio.

Note 4—Receivables

Receivables at June 30, 2022 were as follows:

Investment by Type	Valuation Measurement Method	Book Value at 6/30/2022	Maturity	Rating
NC Capital Management Trust: Term portfolio	Fair Value Level 1	$ 12,718,573	0.15 years	AAAm
North Carolina Short Term: Investment fund	Fair Value Level 2	6,572,710	0.9 years	Unrated
		$ 19,291,283		

Note 5—Capital assets

Capital asset activity for the year ended June 30, 2022 were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	$ 1,794,228	$ -	$ -	$ 1,794,228
Construction in progress	-	-	-	-
Total capital assets not being depreciated	1,794,228	-	-	1,794,228
Capital assets being depreciated:				
Buildings	8,699,534	7,088	-	8,706,622
Leasehold improvements	362,577	18,114	-	380,691
Furniture and other equipment	10,177,963	65,420	-	10,243,383
Total capital assets being depreciated	19,240,074	90,622	-	19,330,696
Less accumulated depreciation for:				
Buildings	4,573,878	325,182	-	4,899,060
Leasehold improvements	105,505	29,647	-	135,152
Furniture and other equipment	8,217,847	856,230	-	9,074,077
Total accumulated depreciation	12,897,230	1,211,059	-	14,108,289
Capital assets being depreciated, net	6,342,844	$ (1,120,437)	$ -	5,222,407
Capital assets, net	$ 8,137,072			$ 7,016,635

Note 6—Right-to-use asset

Right-to-use asset for leased office space consist of the following at June 30, 2022:

	Beginning Balance	Additions	Subtractions	Ending Balance
Leased asset				
Office space	$ -	4,549,980	$ -	$ 4,549,980
Less accumulated amortization				
Office space	-	(360,818)	-	(360,818)
Total right-to-use asset, net	$ -	$ 4,189,162.00	$ -	$ 4,189,162

Note 7—Payables

Accounts payable incurred, but not reported claims and other current liabilities at June 30, 2022 were as follows:

Vendors	Unearned Revenue	Compensated Absences	Incurred but not Reported Claims	Lease Liability	Total
$ 10,999,865	9,620,316	$ 225,000	$ 39,854,587	$ 655,893	$ 61,355,661

Note 8—Retirement plan

Defined Contribution Pension Plan – The Agency is a participating employer in the statewide LGERS, a cost-sharing, multiple-employer defined benefit pension plan administered by the state of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the state of North Carolina. The state's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided – LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligibile beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic postretirement benefit increases. Increases are contingent upon actuarial gains of the plan.

Contributions – Contribution provisions are established by North Carolina General Statute 128-30 and may be amended only by the North Carolina General Assembly. Agency employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Agency's contractually required contribution rate for the year ended June 30, 2022, was 11.35% of compensation for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Agency were $3,671,361, for the year ended June 30, 2022.

Refunds of Contributions – Agency employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to the employer contributions or any other benefit provided by LGERS.

Note 8—Retirement plan (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2022, the Agency reported a liability of $6,153,401 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2022, the Agency's proportion was 0.40124% (measured at June 30, 2021), which was an increase of 0.01124% from its proportion measure as of June 30, 2021 (measured as of June 30, 2020).

For the year ended June 30, 2022, the Agency recognized pension expense of $2,547,613. At June 30, 2022, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,957,659	$ -
Changes of assumptions	3,865,907	-
Net difference between projected and actual earnings on pension plan investments	-	8,791,360
Changes in proportion and differences between Agency contributions and proportionate share of contributions	84,951	196,279
Agency contributions subsequent to the measurement date	3,671,361	-
	$ 9,579,878	$ 8,987,639

$3,671,361 reported as deferred outflows of resources related to pensions resulting from Agency contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30,	
2023	$ 478,069
2024	(228,495)
2025	(638,527)
2026	(2,690,169)
	$ (3,079,122)

Note 8—Retirement plan (continued)

Actuarial Assumptions – The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25% to 8.25%, including inflation and productivity factor of 3.25%
Investment rate of return	6.50%, net of pension plan investment expense, including inflation

The plan actuary currently uses mortality rates based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table that vary by age, gender, employee group (i.e., general, law enforcement officer) and health status (i.e., disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study as of December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple-year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major assets class as of June 30, 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternative	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	6.0%	4.0%
	100.0%	

Note 8—Retirement plan (continued)

The information above is based on 30-year expectations developed with the consulting actuary for the 2020 asset (liability) and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.50%. All rates of return and inflation are annualized.

Discount Rate – The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Agency's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Agency's proportionate share of the net pension liability calculated using the discount rate of 6.50%, as well as what the Agency's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (5.50%) or one-percentage point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Agency's proportionate share of the net pension liability (asset)	$ 23,886,989	$ 6,153,401	$ (8,440,312)

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net postion is available in the separately issued Annual Comprehensive Financial Report (ACFR) for the state of North Carolina.

Note 9—Deferred compensation plan

The Agency offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits eligible employees to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency. The Agency's deferred compensation plan requires all assets of the plan to be held in trust for the exclusive benefit of the participants and their beneficiaries.

Note 10—Other postemployment benefits

Due to the merger of East Carolina Behavioral Health and CoastalCare, as of July 1, 2015, the Agency is adminstering two separate postemployment benefits plans that are in trusts, East Carolina Behavioral Health's OPEB Plan (Plan A) and Trillium's OPEB Plan (Plan B).

Summary of Significant Accounting Policies – Each plan's financial statement is prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Contributions are recognized when due, and the Agency will provide the contributions to the plans. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

Note 10—Other postemployment benefits (continued)

Short-term money market debt instruments, deposits, and repurchase agreements are reported at cost or amortized cost, which approximates fair value. Certain longer term United States government and United States agency securities are valued at the last reported sales price. Administration costs of the plans are financed through investment earnings.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statement, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

Plan A

Plan Description – In addition to providing pension benefits, the Agency has elected to provide healthcare benefits, through a single employer defined benefit plan, to specified retirees of the Agency who have at least 20 years of continuous service with the North Carolina LGERS, which the final 10 years of service must be with the Agency. Six participants have been grandfathered to be eligible with 10 years of employment due to a merger. Pre-65 coverage is the same as the sponsor's group health coverage for active employees. Medicare supplement and drug coverage are offered to post-65 retirees only with no spousal coverage offered. Retired employees meeting the criteria, discussed herein, will be provided hospitalization in the same manner as the active Agency employees. The Agency pays 100% of the retiree premium costs. Per board action, this benefit is no longer available for employees hired after July 1, 2007. A separate report was not issued for the plan.

Membership of the plan consisted of the following at June 30, 2022:

	General Employees
Retirees and dependents receiving benefits	52
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	18
	70

Benefits Provided – The Agency's Plan provides healthcare benefits for retirees. For employees over the age of 65, the Agency pays the cost of coverage for employees' benefits through private insurers.

Contributions – The Agency's board established the contribution requirements of plan members which may be amended by the board. The board establishes rates based on an actuarially determined rate. For both years ended June 30, 2022 and 2021, the Agency contributed $0. The Agency's obligation to contribute to the plan is established and may be amended by the Agency's board.

Note 10—Other postemployment benefits (continued)

The following are the Agency's contributions to the plan based on years of creditable service as of June 30, 2022:

Years of Creditable Service	Date Hired Pre-July 1, 2007	Date Hired On or after July 1, 2020
Less than 10 years	0.00%	0.00%
10-20 years	40.74%	0.00%
More than 20 years	59.26%	0.00%

A resolution was adopted by the board in December 2010 to establish an irrevocable trust account to hold funds for future benefits. During fiscal year 2012, the Agency elected to fund the healthcare benefits in full, based on the unfunded actuarial accrued liability in the July 1, 2009 actuarial valuation report, by depositing funds into the irrevocable trust account with Reliance Trust Company. The Agency made no contributions during the year ended June 30, 2022. The plan is accounted for as a trust fund.

Investment Policy – The Agency's policy in regard to the allocation of invested assets is established and may be amended by the board by a majority vote of its members. It is the policy of the board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Agency discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spands. Investments are valued at fair value.

The following was the board's adopted asset allocation policy as of June 30, 2022:

	Target Allocation	Long-Term Expected Real Rate of Return	
Asset Class	2022 and 2021	2022	2021
Fixed income	100%	3.50%	3.50%

For the year ended June 30, 2022, the annual money weighted rate of return on investments, net of investment expense, was 3.50%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the Agency – The components of the net OPEB liability of the Agency at June 30, 2022 were as follows:

Total OPEB liability	$	8,817,126
Plan fiduciary net position		4,877,998
Net OPEB liability	$	3,939,128
Plan fiduciary net position as a percentage of the total OPEB liability		55.32%

Note 10—Other postemployment benefits (continued)

Actuarial Assumptions – The total OPEB liability was determined by an actuarial valuation as of June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary scale	2.50%
Investment rate of return	3.50%
Healthcare cost trend rates	6.25% for fiscal year end 2022, decreasing 0.25% per year to an ultimate rate of 5.00%

Total OPEB liabilities were rolled forward to June 30, 2022 for the employer and the plan, respectively, utilizing update procedures incorporating the actuarial assumptions.

Mortality rates were based on the RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2021. For general employees, rates are adjusted by 108% (male) and 81% (female) for ages under 78 and by 124% (male) and 113% (female) for age 78 and older.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period 2010-2014.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the major target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30 are presented above.

The discount rate used to measure the total OPEB liability at June 30, 2022 was 2.27% which was a change from the discount rate of 2.82% at June 30, 2021. Based on a projection of the plan's cash flow, the OPEB plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. It was assumed that contributions would be made at rates equal to the actuarially determined contribution rates after the plan's fiduciary net position is exhausted. Therefore, the discount rate incorporates a municipal bond index rate which was 3.5% as of June 30, 2022 per the S&P Municipal Bond 20-Year High Grade Rate Index. As of June 30, 2021, the S&P Municipal Bond 20-Year High Grade rate was 3.5%.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following presents the net OPEB liability of the Agency, as well as what the Agency's net OPEB liability would be if it were calculated using a discount rate that is one-percentage point lower or one-percentage point higher than the current discount rate:

	1% Decrease (1.27%)	**Discount Rate (2.27%)**	**1% Increases (3.27%)**
Net OPEB liability	$ 5,339,424	$ 3,939,128	$ 2,810,683

Note 10—Other postemployment benefits (continued)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the net OPEB liability of the Agency, as well as what the Agency's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one-percentage point lower or one-percentage point higher than the current healthcare cost trend rate:

	1% Decrease	Current Trend Rate	1% Increase
Net OPEB liability	$ 2,764,531	$ 3,939,128	$ 5,392,898

Changes in Net OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – At June 30, 2022, the Agency reported a net OPEB liability of $3,939,128. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. The total OPEB liability was then rolled forward to the measurement date of June 30, 2022 utilizing update procedures incorporating the actuarial assumptions.

At June 30, 2022, the components of the net OPEB liability of the Agency, measured as of June 30, 2021 were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at June 30, 2021	$ 7,741,372	$ 5,470,449	$ 2,270,923
Changes for the year:			
Service cost	108,479	-	108,479
Interest	212,945	-	212,945
Differences between expected and actual experience	621,755	-	621,755
Contributions - employer	-	-	-
Net investment income	-	8,939	(8,939)
Benefit payments	(601,370)	(601,370)	-
Changes of benefit terms	-	-	-
Administrative expense	-	(20)	20
Other changes	733,945	-	733,945
Net changes	1,075,754	(592,451)	1,668,205
Balances at June 30, 2022	$ 8,817,126	$ 4,877,998	$ 3,939,128

Changes of Assumptions – Changes of assumptions and other inputs reflect a change in the discount rate from 2.82% 2021 to 2.27% in 2022. Medical claims cost and rates were changed based on most recent experience and changed to the current schedule. The Excise Tax of 40% on healthcare plans that are above the thresholds set by the Affordable Care Act as effective in 2022 and have been reflected.

Note 10—Other postemployment benefits (continued)

For the year ended June 30, 2022, the Agency recognized OPEB expense of $1,020,661. At June 30, 2022, the Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 183,899	$ 1,197
Changes of assumptions	217,082	206
Net difference between projected and actual earnings on plan investments	164,428	-
Agency contributions subsequent to the measurement date	-	-
	$ 565,409	$ 1,403

Zero dollars reported as deferred outflows of resources related to OPEB resulting from Agency contributions subsequent to the measurement date will be recognized as a decrease in the net OPEB liability in the year ended June 30, 2022.

Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30,	
2023	$ 455,599
2024	34,146
2025	39,840
2026	34,421
	$ 564,006

Plan B

Plan Description – The Agency administers a single-employer, defined benefit Employee Group Health Plan (the “Health Plan”). This plan provides postemployment healthcare benefits, including prescription drug coverage, to retirees of the Agency, provided they have participated in the LGERS for a minimum of 30 years of service and have at least 20 years of creditable service with the Agency, or for an employee retiring at the age of 60, with at least 25 years of service in the LGERS and have at least 20 years of service with the Agency. Upon merging with East Carolina Behaviorial Health in 2015, CoastalCare’s plan was amended to include former CoastalCare employees and former East Carolina Behaviorial Health employees who were employed as of July 1, 2015 that were not already enrolled in Plan A. The Agency contributes an amount equal to the individual premium paid by the Agency for all individual employees. Retirees who qualify for coverage receive the same benefits as active employees. When a retiree becomes eligible for Social Security and/or Medicare, the coverage will end for the retiree. The Board of Directors may amend the benefit provisions. A separate financial report was not issued for the plan.

Note 10—Other postemployment benefits (continued)

Membership of the Employee Group Health Plan consisted of the following at July 1, 2021, the date of the latest actuarial valuation:

	General Employees
Retirees and dependents receiving benefits	8
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	184
	192

Benefits Provided – The Agency's Plan provides healthcare benefits for retirees. For employees over the age of 65, the Agency pays the cost of coverage for employees' benefits through private insurers.

Contributions – The Agency's board established the contribution requirements of plan members which may be amended by the board. The board establishes rates based on an actuarially determined rate. For both years ended June 30, 2022 and 2021, the Agency contributed $0 per active employee. The Agency's obligation to contribute to the plan is established and may be amended by the Agency's board.

The following are the Agency's contributions to the Plan based on years of creditable service as of June 30, 2022:

Years of Creditable Service	Date Hired Pre-July 1, 2007	Date Hired On or after July 1, 2020
Less than 10 years	74.84%	0.00%
10-20 years	17.42%	0.00%
More than 20 years	7.74%	0.00%

The Agency pays the full cost of coverage for the health care benefits paid to qualified retirees. As of June 30, 2022 the plan is fully funded. For the current year, the Agency made no contributions. The Plan is accounted for as a trust fund.

Investment Policy – The Agency's policy in regard to the allocation of invested assets is established and may be amended by the Board by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Agency discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spands. Investments are valued at fair value.

The following was the board's adopted asset allocation policy as of June 30, 2022:

	Target Allocation	Long-Term Expected Real Rate of Return	
Asset Class	2022 and 2021	2022	2021
Short Term Investment Fund (STIF)	70%		
Equity Index Fund (EIF)	20%		
Bond Index Fund (BIF)	10%		
	100%	3.50%	3.50%

Note 10—Other postemployment benefits (continued)

For the year ended June 30, 2022, the annual money-weighted rate of return on investments, net of investment expense, was 5.8%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Asset of the Agency – The components of the net OPEB liability of the Agency at June 30, 2022 were as follows:

Total OPEB liability	$	5,175,576
Plan fiduciary net position		11,516,126
Net OPEB asset	$	6,340,550
Plan fiduciary net position as a percentage of the total OPEB liability		222.51%

Actuarial Assumptions – The total OPEB liability was determined by an actuarial valuation as of June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary scale	2.50%
Investment rate of return	3.50%
Healthcare cost trend rates	6.25% for fiscal year-end 2022, decreasing 0.25% per year to an ultimate rate of 5.00%

Total OPEB assets were rolled forward to June 30, 2022 for the employer and the plan, respectively, utilizing update procedures incorporating the actuarial assumptions.

Mortality rates were based on the RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2021. For general employees, rates are adjusted by 108% (male) and 81% (female) for ages under 78 and by 124% (male) and 113% (female) for age 78 and older.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period 2010-2014.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the major target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30 are presented above.

Note 10—Other postemployment benefits (continued)

The discount rate used to measure the total OPEB liability was 3.5% at June 30, 2022 which was not a change from the discount rate of 3.5% at June 30, 2021. Based on a projection of the plan's cash flow, the OPEB plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. It was assumed that contributions would be made at rates equal to the actuarially determined contribution rates after the plan's fiduciary net position is exhausted. Therefore, the total OPEB liability was determined using a blend of the long-term expected rate of return on OPEB plan investments and a municipal bond index rate as of June 30, 2022.

Therefore, the discount rate incorporates a municipal bond index rate which was 3.5% as of June 30, 2022 per the S&P Municipal Bond 20-Year High Grade Rate Index. As of June 30, 2021, the S&P Municipal Bond 20-Year High Grade rate was 3.50%.

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate – The following presents the net OPEB asset of the Agency, as well as what the Agency's net OPEB asset would be if it were calculated using a discount rate that is one-percentage point lower or one-percentage point higher than the current discount rate:

	1% Decrease (2.50 %)	Discount Rate (3.50 %)	1% Increases (4.50 %)
Net OPEB asset	$ 5,866,143	$ 6,340,550	$ 6,788,924

Sensitivity of the Net OPEB Asset to Changes in the Healthcare Cost Trend Rates – The following presents the net OPEB asset of the Agency, as well as what the Agency's net OPEB asset would be if it were calculated using a healthcare cost trend rate that is one-percentage point lower or one-percentage point higher than the current healthcare cost trend rate:

	1% Decrease	Current Trend Rate	1% Increase
Net OPEB asset	$ 7,031,461	$ 6,340,550	$ 5,518,345

Changes in Net OPEB Asset, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – At June 30, 2022, the Agency reported a net OPEB asset of $6,340,550. The total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2021. The total OPEB liability was then rolled forward to the measurement date of June 30, 2022 utilizing update procedures incorporating the actuarial assumptions.

Note 10—Other postemployment benefits (continued)

At June 30, 2022, the components of the net OPEB asset of the Agency, measured as of June 30, 2021 were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Asset (a)-(b)
Balances at June 30, 2021	$ 4,629,078	$ 10,575,871	$ (5,946,793)
Changes for the year:			
Service cost	308,436	-	308,436
Interest	170,744	-	170,744
Differences between expected and actual experience	(84,157)	-	(84,157)
Contributions - employer	-	-	-
Net investment income	-	1,060,062	(1,060,062)
Benefit payments	(119,279)	(119,279)	-
Changes of benefit terms	-	-	-
Administrative expense	-	(528)	528
Other changes	270,754	-	270,754
Net changes	546,498	940,255	(393,757)
Balances at June 30, 2022	$ 5,175,576	$ 11,516,126	$ (6,340,550)

Changes of Assumptions – Changes of assumptions and other inputs reflect no changes in the discount rate as it remained 3.5% in 2021 and 2022. Medical claims cost and rates were changed based on most recent experience and changed to the current schedule. The Excise Tax of 40% on healthcare plans that are above the thresholds set by the Affordable Care Act as effective in 2022 and have been reflected.

For the year ended June 30, 2022, the Agency recognized OPEB benefit of ($127,530). At June 30, 2022, the Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 42,410	$ 495,303
Changes of assumptions	354,382	338,119
Net difference between projected and actual earnings on plan investments	-	644,009
Agency contributions subsequent to the measurement date	-	-
	$ 396,792	$ 1,477,431

Note 10—Other postemployment benefits (continued)

The amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30,		
2023	$	(248,110)
2024		(228,420)
2025		(205,049)
2026		(196,914)
2027		(58,621)
Thereafter		(143,525)
	$	(1,080,639)

Note 11—Supplemental retirement benefits

The Agency has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (the "System") ("Death Benefit Plan"), a multiple-employer, state-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump-sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of $25,000 and will not exceed $50,000. All death benefit payments are made from the Death Benefit Plan. The Agency has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the postemployment benefit amount and the other benefit amount. The Agency considers these contributions to be immaterial.

Note 12—Risk management

Under the Agencys' risk management program, the risk management program provides coverage for health insurance up to a maximum of $85,000 for each individual claim. The Agency purchases commercial insurance for individual medical claims in excess of $85,000 and aggregate claims in excess of $1,000,000 with a minimum aggregate deductible of $5,430,056. Settled claims have not exceeded this commercial coverage in any of the last three fiscal years.

The Agency participates in the program and makes payments to the risk management program based on actuarial estimates of the amounts needed to pay prior- and current-year claims and to establish a reserve for catastrophic losses. Amounts withheld from employees and the Agency's general funds are available to pay claims, claim reserves, and administrative costs of the program. The claims liability of $1,272,653 reported in accounts payable at June 30, 2022 is based on the requirements of GASB 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statement and the amount of loss can be reasonably estimated.

Note 12—Risk management (continued)

Changes in the reported liability were as follows:

Fiscal Year	Beginning of Fiscal Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability
2021-2022	$ 736,367	$ 5,329,458	$ (4,793,172)	$ 1,272,653

Employees have the option to continue group coverage for a maximum of 18 months if terminated or hours worked are reduced, causing an employee to be ineligible for coverage. An employee who is disabled may continue for an additional 11 months. Covered dependents have the option to continue group coverage for a maximum of 36 months if their coverage is terminated due to employee's death, divorce, or legal separation, employee's entitlement to Medicare, or a dependent child ceases to be a dependent under the terms of the group's coverage. As the Agency is generally self-insured, actual claims paid for former employees will be different than premiums paid by these former employees for coverage continuance, but no assessment of net cost or net benefit to the Agency has been calculated. These expenditures are recognized in the fiscal year the claims service date relates to and premiums are received for. Claims are paid weekly and premiums are paid at the beginning of each month of covered service.

The Agency is exposed to various risks of losses related to torts; malpractice; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Agency carries commercial insurance to cover substantially all risks of loss. The Agency obtains commercial general liability and professional liability coverage of $5 million in the aggregate with a $3 million limit per occurrence, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to the statutory limits, directors, and officers' insurance of $2 million per policy period.

The Agency carries flood insurance with amounts of coverage of $500,000 for buildings and $500,000 for contents. There is a $2,000 deductible for New Hanover County offices and a $1,250 deductible for Camden, Perquimans, and Onslow County offices.

The Agency carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

In accordance with G.S. 159.29, the Agency's employees that have access to $100 or more at a given time of the Agency's funds are performance bonded through a commercial surety bond. The Chief Executive Officer, the Executive Vice President, and the Finance Director are individually bonded for $300,000. The remaining employees that have access to funds are covered under a blanket bond of $250,000 with a deductible of $1,000.

Note 13—Commitments and contingencies

The Agency has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial.

No provision has been made in the accompanying financial statement for the future refund of grant monies, as the Agency does not anticipate any material refunds.

Note 13—Commitments and contingencies (continued)

From time to time, the Agency is party to other pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and legal counsel that the likelihood is remote that any such claims or proceedings will have a material, adverse effect on the Agency's financial position or results of operations.

Note 14—Long-term obligations

The following is a summary of changes in the Agency’s long-term obligations for the year ended June 30, 2022:

	Balance July 1, 2021	Increases	Decreases	June 30, 2021	Amounts Due Within One Year
Compensated absences	$ 2,847,943	$ 138,658	$ -	$ 2,986,601	$ 225,000
Lease liability	-	3,935,916	-	3,935,916	655,893
Net pension liability	13,936,361	3,671,361	(11,454,321)	6,153,401	-
Net OPEB liability	2,270,923	2,061,962	(393,757)	3,939,128	-
	$ 19,055,227	$ 9,807,897	$ (11,848,078)	$ 17,015,046	$ 880,893

Compensated absences typically have been liquidated in the general fund and are accounted for on a LIFO basis, assuming that employees are taking leave time as it is earned.

Note 15—Leases

The Agency leases certain facilities under noncancelable leases. The lease agreements quality as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. The leases have various terms, with maturity ranging from 2023 through 2030. The leases have discount rates ranging from 1.098% to 3.847%. As a lessee, the Agency recognized lease assets and lease liabilities on the statement of net position. See Notes 5 and Note 13 for further information.

The future minimum lease obligations and the net present value of the operating and finance lease payments as of June 30, 2022 are as follows:

Years Ending June 30,	Principal	Interest	Total
2023	$ 569,703	$ 86,190	$ 655,893
2024	578,529	53,504	632,033
2025	594,976	41,714	636,690
2026	602,509	29,708	632,217
2027	350,543	18,751	369,294
Thereafter	881,127	128,662	1,009,789
	$ 3,577,387	$ 358,529	$ 3,935,916

Note 16—Economic dependence

The Agency receives approximately 14% of its revenue from state and federal (passed through the state) intergovernmental revenue, and 85% of its revenue from the Medicaid waiver contract, for the various programs the Agency administers. Any significant change, either increase or decrease, in funding for these programs could result in a material change in the operations of the Agency.

Note 17—Local grants

The Agency serves Beaufort, Bertie, Bladen, Brunswick, Camden, Carteret, Chowan, Columbus, Craven, Currituck, Dare, Gates, Halifax, Hertford, Hyde, Jones, Martin, Nash, New Hanover, Northampton, Onslow, Pamlico, Pasquotank, Pender, Perquimans, Pitt, Tyrrell, and Washington counties. The counties' portion of the Agency's total revenue is included in local funds revenue. The actual amount of county general funds and county alcoholic beverage commission funds received during the year ended June 30, 2022 were as follows:

Pamlico County	$ 39,525
Washington County	30,000
Chowan County	35,872
Martin County	58,859
Beaufort County	191,233
Bladen County	27,597
Pasquotank County	98,071
Camden County	26,519
Perquimans County	31,759
Craven County	388,025
Tyrrell County	9,906
Bertie County	49,390
Northampton County	81,614
Pitt County	668,260
Hertford County	88,168
Halifax Country	201,753
Dare County	411,040
Gates County	31,059
Jones County	24,093
Currituck County	67,791
Hyde County	18,713
Brunswick County	250,443
Carteret County	528,000
Nash County	220,772
New Hanover County	994,250
Pender County	102,530
Onslow County	700,000
Columbus County	78,898
	$ 5,454,140

Note 18—Transfer of operations

During the year, the Agency added Halifax County the Agency's service area as a transfer of operations from Cardinal Innovations. As a result of this transfer, the Agency received approximately $6,250,000 in cash, which was recorded in other income on the statement of activities.

Note 19—Subsequent events

Management has evaluated the subsequent events through October 31, 2022, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY FINANCIAL DATA

This section contains additional information required by the Governmental Accounting Standards Board.

- Schedule of Changes in Net OPEB Liability and Related Ratios for Plan A
- Schedule of Agency Contribution and Investment Returns (OPEB) for Plan A
- Schedule of Changes in Net OPEB Asset and Related Ratios for Plan B
- Schedule of Agency Contribution and Investment Returns (OPEB) for Plan B
- Schedule of Proportionate Share of Net Pension Liability – Local Governmental Employees' Retirement System
- Schedule of Contributions – Local Governmental Employees' Retirement System

TRILLIUM HEALTH RESOURCES
OTHER POSTEMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2022

Plan A

Schedule of Changes in Net OPEB Liability and Related Ratios

	2022	2021
Total OPEB Liability:		
Service cost	$ 108,479	$ 117,427
Interest	212,945	230,997
Difference between expected and actual experience	621,755	(240,467)
Changes in assumptions	733,945	(41,360)
Benefit payments	(601,370)	(565,254)
Net Change in Total OPEB Liability	1,075,754	(498,657)
Total OPEB Liability - Beginning	7,741,372	8,240,029
Total OPEB Liability - Ending	$ 8,817,126	$ 7,741,372
Plan Fiduciary Net Position:		
Contributions - employer	$ -	$ -
Net investment income	8,939	102,963
Benefit payments	(601,370)	(565,254)
Administrative expense	(20)	(50)
Other expense	-	-
Net Change in Plan Fiduciary Net Position	(592,451)	(462,341)
Plan Fiduciary Net Position - Beginning	5,470,449	5,932,790
Plan Fiduciary Net Position - Ending	$ 4,877,998	$ 5,470,449
Net OPEB Liability - Ending	$ 3,939,128	$ 2,270,923
Plan fiduciary net position as a percentage of the total OPEB liability	55.32%	70.67%

*Plan measurement date is the reporting date. Employer measurement date is one year prior to reporting date.

Plan A

Schedule of Agency Contribution

	2022	2021
Actuarially determined contribution	$ 601,370	$ 565,254
Contributions in relation to the actuarially determined contribution	-	-
Contribution Deficiency (Excess)	$ 601,370	$ 565,254

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of pay
Salary scale	2.50%
Healthcare cost trend rates	6.25% for fiscal year-end 2022, decreasing 0.25% per year to an ultimate rate of 5.00%
Investment rate of return	3.50%
Mortality	RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2021

Schedule of Investment Returns

	2022	2021
Annual money-weighted rate of return, net of investment expense	$ 212,945	$ 230,997

Plan B

Schedule of Changes in Net OPEB Asset and Related Ratios

	2022	2021
Total OPEB Liability:		
Service cost	$ 308,436	$ 381,244
Interest	170,744	140,469
Difference between expected and actual experience	(84,158)	(536,314)
Changes in assumptions	270,754	(417,899)
Benefit payments	(119,279)	(45,478)
Net Change in Total OPEB Liability	546,497	(477,978)
Total OPEB Liability - Beginning	4,629,079	5,107,057
Total OPEB Liability - Ending	$ 5,175,576	$ 4,629,079
Plan Fiduciary Net Position:		
Contributions - employer	$ -	$ -
Net investment income	1,060,062	278,319
Benefit payments	(119,280)	(45,478)
Administrative expense	(528)	(253)
Other expense	-	-
Net Change in Plan Fiduciary Net Position	940,254	232,588
Plan Fiduciary Net Position - Beginning	10,575,872	10,343,284
Plan Fiduciary Net Position - Ending	$ 11,516,126	$ 10,575,872
Net OPEB Asset - Ending	$ 6,340,550	$ 5,946,793
Plan fiduciary net position as a percentage of the total OPEB asset	222.51%	228.47%

*Plan measurement date is the reporting date. Employer measurement date is one year prior to reporting date.

Plan B

Schedule of Agency Contribution

	2022	2021
Actuarially determined contribution	$ 119,279	$ 45,478
Contributions in relation to the actuarially determined contribution	-	-
Contribution Deficiency (Excess)	$ 119,279	$ 45,478

Notes to Schedule

Valuation date:
Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of pay
Salary scale	2.50%
Healthcare cost trend rates	6.25% for fiscal year-end 2022, decreasing 0.25% per year to an ultimate rate of 5.00%
Investment rate of return	3.50%
Mortality	RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2021

Schedule of Investment Returns

	2022	2021
Annual money-weighted rate of return, net of investment expense	$ 170,744	$ 140,469

TRILLIUM HEALTH RESOURCES
LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION

LAST SEVEN FISCAL YEARS

Schedule of Proportionate Share of Net Pension Liability
Local Governmental Employees' Retirement System
Current Fiscal Year June 30, *

	2022	2021	2020	2019	2018	2017	2016
Agency's proportion of the net pension liability (asset) (%)	0.40124%	0.39000%	0.39485%	0.39129%	0.4033%	0.3975%	0.3881%
Agency's proportion of the net pension liability (asset) ($)	$ 6,153,401	$ 13,936,361	$ 10,783,046	$ 9,282,737	$ 6,161,154	$ 8,436,918	$ 1,741,819
Agency's covered-employee payroll	$ 27,873,414	$ 26,137,179	$ 24,936,190	$ 23,447,019	$ 23,065,670	$ 21,626,839	$ 21,952,794
Agency's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	22.08%	53.32%	43.24%	39.59%	26.71%	39.01%	7.93%
Plan fiduciary net position as a percentage of the total pension liability	95.51%	88.61%	90.00%	92.00%	95.20%	107.70%	98.09%

*The amount presented for the fiscal year was determined as of the prior fiscal year ended June 30.

TRILLIUM HEALTH RESOURCES
LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION

LAST SEVEN FISCAL YEARS

Schedule of Contributions
Local Governmental Employees' Retirement System
Current Fiscal Year June 30, *

	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 3,671,361	$ 2,840,295	$ 2,349,732	$ 1,942,529	$ 1,773,360	$ 1,686,100	$ 1,456,159
Contributions in relation to the contractually required contribution	2,840,295	2,840,295	2,349,732	1,942,529	1,773,360	1,686,100	1,456,159
Contribution deficiency (excess)	$ 831,066	$ -	$ -	$ -	$ -	$ -	$ -
Agency's covered-employee payroll	$ 32,233,197	$ 27,873,414	$ 26,137,179	$ 24,936,190	$ 23,447,019	$ 23,065,670	$ 21,626,839
Contributions as a percentage of covered-employee payroll	8.81%	10.19%	8.99%	7.79%	7.56%	7.31%	6.73%

*The amount presented for the fiscal year was determined as of the prior fiscal year ended June 30.

SUPPLEMENTARY INFORMATION

TRILLIUM HEALTH RESOURCES
COMBINING SCHEDULE OF NET POSITION

JUNE 30, 2022

	Medicaid Related	Non-Medicaid Related	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 139,779,622	$ 1,188,715	$ 140,968,337
Investments	8,880,426	(8,880,426)	-
Accounts receivable	9,799,470	4,567,049	14,366,519
Prepaid expenses	7,823,152	637,091	8,460,243
Total Current Assets	166,282,670	(2,487,571)	163,795,099
Noncurrent Assets:			
Restricted cash and cash equivalents	83,688,808	-	83,688,808
Net other postemployment benefits asset	-	6,340,550	6,340,550
Net right of use lease asset	-	4,189,162	4,189,162
Capital Assets:			
Land and construction in progress	-	1,794,228	1,794,228
Other capital assets (net of accumulated depreciation)	-	5,222,407	5,222,407
Total Noncurrent Assets	83,688,808	17,546,347	101,235,155
Total Assets	249,971,478	15,058,776	265,030,254
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	-	9,579,838	9,579,838
Other postemployment benefit deferrals	-	962,201	962,201
Total Deferred Outflows of Resources	-	10,542,039	10,542,039
LIABILITIES			
Current Liabilities:			
Accounts payable and other current liabilities	15,009,870	(4,010,005)	10,999,865
Unearned revenue	-	9,620,316	9,620,316
Liability for claims incurred, but not reported	37,037,353	2,817,234	39,854,587
Compensated absences - current portion	-	225,000	225,000
Lease liability - current portion	-	655,893	655,893
Total Current Liabilities	52,047,223	9,308,438	61,355,661
Noncurrent Liabilities:			
Compensated absences - long term	4,203,991	(1,442,390)	2,761,601
Net pension liability	-	6,153,401	6,153,401
Net other postemployment benefits liability	-	3,939,128	3,939,128
Lease liability - long term	-	3,280,023	3,280,023
Total Noncurrent Liabilities	4,203,991	11,930,162	16,134,153
Total Liabilities	56,251,214	21,238,600	77,489,814
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	-	8,987,639	8,987,639
Other postemployment benefit deferrals	-	1,478,834	1,478,834
Lease deferrals	-	56,133	56,133
Total Deferred Inflows of Resources	-	10,522,606	10,522,606
NET POSITION			
Investment in capital assets	-	7,269,881	7,269,881
Restricted:			
Medicaid risk reserve	120,513,243	(36,824,435)	83,688,808
Unrestricted	73,207,022	23,394,162	96,601,184
Total Net Position	$ 193,720,265	$ (6,160,392)	$ 187,559,873

TRILLIUM HEALTH RESOURCES

COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2022

	Medicaid Related	Non-Medicaid Related	Total
Operating Revenues:			
Federal, State, and Local Funding:			
Federal	$ -	$ 24,932,137	$ 24,932,137
State	-	74,730,343	74,730,343
Local	-	5,454,140	5,454,140
Total Federal, State, and Local Funding	-	105,116,620	105,116,620
Medicaid Waiver services and administration	592,876,172	-	592,876,172
Other income	1,779	6,331,879	6,333,658
Total Operating Revenues	592,877,951	111,448,499	704,326,450
Operating Expenses:			
Personnel	45,073,514	(186,710)	44,886,804
Professional services	8,222,735	5,738,219	13,960,954
Supplies and materials	106,844	583,457	690,301
Current obligations and services	1,254,791	540,543	1,795,334
Fixed charges and expenses	7,674,341	2,490,833	10,165,174
Depreciation expense	-	1,716,495	1,716,495
Medicaid Waiver services, contracts, and grants	470,515,769	97,247,875	567,763,644
Other	(2,793,903)	2,883,242	89,339
Total Operating Expenses	530,054,091	111,013,954	641,068,045
Operating Income	62,823,860	434,545	63,258,405
Nonoperating Income:			
Interest income	-	153,529	153,529
Total Nonoperating Income	-	153,529	153,529
Changes in net position	62,823,860	588,074	63,411,934
Net position, beginning of year	130,896,405	(6,748,466)	124,147,939
Net position, end of year	$ 193,720,265	$ (6,160,392)	$ 187,559,873

TRILLIUM HEALTH RESOURCES
COMBINING SCHEDULE OF CASH FLOWS

YEAR ENDED JUNE 30, 2022

	Medicaid Related	Non-Medicaid Related	Total
Cash flows from operating activities:			
Cash received from federal, state, and local agencies	$ 595,873,140	$ 111,329,767	$ 707,202,907
Cash payments to suppliers of goods and services	(468,000,490)	(109,028,184)	(577,028,674)
Cash payments for employee salary and benefits	(41,872,842)	(3,068,738)	(44,941,580)
Other cash payments, net	(2,538,395)	6,211,230	3,672,835
Net cash flows from operating activities	83,461,413	5,444,075	88,905,488
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	-	(90,622)	(90,622)
Cash flows from investing activities:			
Interest earned on investments	153,529	-	153,529
Net change in investments	941,940	(941,940)	-
Net cash flows from investing activities	1,095,469	(941,940)	153,529
Net change cash, restricted cash, and cash equivalents	84,556,882	4,411,513	88,968,395
Cash, restricted cash, and cash equivalents at beginning of year	141,593,808	(5,905,058)	135,688,750
Cash, restricted cash, and cash equivalents at end of year	$ 226,150,690	$ (1,493,545)	$ 224,657,145
Reconciliation of operating income to net cash flows from operating activities:			
Operating income	$ 62,823,860	$ 434,545	$ 63,258,405
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
Depreciation and amortization	-	1,716,495	1,716,495
Changes in assets and liabilities:			
Accounts receivable	2,996,968	(3,407,169)	(410,201)
Net right of use asset	-	(4,694,598)	(4,694,598)
Prepaid expenses	(2,540,174)	(120,649)	(2,660,823)
Net other postemployment benefits asset	-	(393,757)	(393,757)
Deferred outflows of resources	-	(2,711,511)	(2,711,511)
Accounts payable and other current liabilities	5,733,903	(1,602,567)	4,131,336
Unearned revenue	-	9,620,316	9,620,316
Capital lease liability	-	3,935,916	3,935,916
Liability for claims incurred, but not reported	11,246,184	2,817,234	14,063,418
Net pension liability	-	(7,782,960)	(7,782,960)
Net other postemployment benefits liability	-	1,668,205	1,668,205
Compensated absences	3,200,672	(3,062,014)	138,658
Deferred inflows of resources	-	9,026,589	9,026,589
Net cash from operating activities	$ 83,461,413	$ 5,444,075	$ 88,905,488

TRILLIUM HEALTH RESOURCES
BALANCE SHEET (NON-GAAP)

JUNE 30, 2022

ASSETS	
Cash and Cash Equivalents:	
Restricted	$ 83,688,808
Unrestricted	140,968,337
Accounts Receivable:	
Client and third party	3,160,178
Due from other governments	11,206,341
Prepaid expenses	8,460,243
Total Assets	$ 247,483,907
LIABILITIES	
Accounts payable and other current liabilities	$ 20,845,181
Liability for claims incurred, but not reported	39,854,587
Total Liabilities	60,699,768
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenues	2,972,938
Total Deferred Inflows of Resources	2,972,938
FUND BALANCES	
Nonspendable	8,460,243
Restricted:	
Stabilization of State Statute	14,945,465
Medicaid Risk Reserve	83,688,808
Committed	21,973,805
Unassigned	54,742,880
Total Fund Balances	183,811,201
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 247,483,907
Amounts Reported in the Schedule of Net Position are Different Because:	
Fund balance	$ 183,811,201
Accounts receivable not collected within 60 days after year-end is deferred in the fund	2,972,938
Capital assets are not financial resources and therefore are not reported in the fund	7,269,881
Assets to pay future other postemployment benefits is not reported in the fund	6,340,550
Deferred outflow for pension benefits	9,579,838
Deferred outflow for other postemployment benefits	962,201
Liability for compensated absences is not due and payable in the current period and, therefore, is not reported in the fund	(2,761,601)
Net pension liability	(6,153,401)
Net other postemployment benefits liability	(3,939,128)
Deferred inflow for pension benefits	(8,987,639)
Deferred inflow for other postemployment benefits	(1,478,834)
Deferred inflow for leases	(56,133)
Total Net Position	$ 187,559,873

TRILLIUM HEALTH RESOURCES
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (NON-GAAP)

YEAR ENDED JUNE 30, 2022

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
Operating Revenues:				
Intergovernmental:				
State and Federal	$ 75,581,552	$ 102,944,246	$ 99,662,480	$ (3,281,766)
Local	5,636,348	5,477,476	5,454,140	(23,336)
Medicaid	511,680,377	583,549,209	592,876,172	9,326,963
Other income	500,000	500,000	6,429,886	5,929,886
Total Operating Revenues	593,398,277	692,470,931	704,422,678	11,951,747
Operating Expenditures:				
Personnel	50,587,338	59,296,141	61,929,780	(2,633,639)
Supplies	217,231	229,931	180,505	49,426
Current obligations	2,020,271	2,014,243	1,795,334	218,909
Fixed expenses	8,117,241	9,979,691	10,165,174	(185,483)
Capital outlay	2,951,677	3,405,677	509,796	2,895,881
Other expenses	240,000	240,000	89,339	150,661
Contracts	540,216,315	632,407,044	567,763,644	64,643,400
Total Operating Expenditures	604,350,073	707,572,727	642,433,572	65,139,155
Operating Income (Expense)	(10,951,796)	(15,101,796)	61,989,106	77,090,902
Nonoperating Revenues:				
Interest income	800,000	800,000	153,529	(646,471)
Other Financing Sources (Uses):				
Appropriated fund balance	10,151,796	14,301,796	-	(14,301,796)
Revenues and other financing sources (uses) over (under) expenditures	$ -	$ -	$ 62,142,635	$ 62,142,635

Reconciliation of change in net position:	
Total revenues and other financing sources	$ 704,576,207
Total expenditures and other financing uses	(642,433,572)
Total Net Change in Fund Balance	62,142,635
Depreciation and amortization	(1,716,495)
Capital outlay expenditures	509,796
Agency's portion of collective pension expense	(2,547,613)
Contribution to Local Government Employees' Retirement System	3,671,361
Net other postemployment benefits expense	(893,131)
Change in accrued vacation	(631,329)
Bad debt expense	(96,228)
Decrease in available revenues	2,972,938
Subtotal	1,269,299
Change in Net Position	$ 63,411,934

TRILLIUM HEALTH RESOURCES
SCHEDULE OF COMMITTED FUND BALANCES

JUNE 30, 2022

General Medicaid Reserve	$ 20,854,463
Pugh Memorial	18,602
Capital Equipment	391,220
Building Sales Proceeds	709,520
	$ 21,973,805

COMPLIANCE SECTION

Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and on Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Area Board of Directors
Trillium Health Resources
Greenville, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate remaining fund information of Trillium Health Resources (the "Agency"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated October 31, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting ("internal control") as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Raleigh, North Carolina
October 31, 2022

Cherry Bekaert LLP
Your Guide Forward

Report of Independent Auditor on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control over Compliance with OMB Uniform Guidance and the State Single Audit Implementation Act

To the Area Board of Directors
Trillium Health Resources
Greenville, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on the Major Federal Program

We have audited the Trillium Health Resources (the "Agency") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Agency's major federal program for the year ended June 30, 2022. The Agency's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and the State Single Audit Implementation Act. Our responsibilities under those standards, the Uniform Guidance and the State Single Audit Implementation Act are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Agency's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Agency's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Agency's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards,* the Uniform Guidance, and the State Single Audit Implementation Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Agency's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Agency's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Agency's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal contro*l over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Cherry Bekaert LLP

Raleigh, North Carolina
October 31, 2022

Cherry Bekaert LLP
Your Guide Forward

Report of Independent Auditor on Compliance with Requirements Applicable to Each Major State Program and on Internal Control over Compliance Required by the OMB Uniform Guidance and the State Single Audit Implementation Act

To the Area Board of Directors
Trillium Health Resources
Greenville, North Carolina

Report on Compliance for Each Major State Program

Opinion on the Major State Program

We have audited the Trillium Health Resources (the "Agency") compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on the Agency's major State program for the year ended June 30, 2022. The Agency's major state program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended June 30, 2022.

Basis for Opinion on the Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance") and the State Single Audit Implementation Act. Our responsibilities under those standards, the Uniform Guidance, and the State Single Audit Implementation Act are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Agency's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Agency's state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Agency's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Agency's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards,* the Uniform Guidance, and the State Single Audit Implementation Act we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Agency's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Agency's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control* over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Cherry Bekaert LLP

Raleigh, North Carolina
October 31, 2022

Part I – Summary of Audit Results

Financial Statement

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	____ yes	X no
Significant deficiency(ies) identified?	____ yes	X none reported
Noncompliance material to financial statement noted?	____ yes	X no

Federal Awards

Internal control over major federal program:		
Material weakness(es) identified?	____ yes	X no
Significant deficiency(ies) identified?	____ yes	X none reported
Type of auditor's report on compliance for major federal programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	____ yes	X no

Identification of the major federal programs:

Program Name	Assistance Listing Number
Block Grants for Prevention and Treatment of Substance Abuse	93.959

The above programs are tested as part of a state identified unit cluster.

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000	
Auditee qualified as low-risk auditee?	X yes	____ no

State Awards

Internal control over major State program:

Material weakness(es) identified?	______ yes	X no
Significant deficiency(ies) identified?	______ yes	X none reported
Type of auditor's report on compliance for major state programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act?	______ yes	X no

Identification of major state programs:

Program Name

Single Stream Funding
Alcohol, Drug Treatment Centers
TCLI – Community Living Assistance
Traumatic Brain Injury
Child Tier Care Coordination

Part II – Findings Related to the Audit of the Basic Financial Statement

None reported.

Part III – Findings, Responses, and Questioned Costs Related to the Audit of Federal Awards

None reported.

Part IV – Findings, Responses, and Questioned Costs Related to the Audit of State Awards

None reported.

Section II – Financial Statement Findings

See the following page.

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – State Award Findings and Questioned Costs

None reported.

Finding 2021-001 *Nonmaterial Noncompliance – Budgetary Compliance:* During the audit of the year ended June 30, 2021, it was noted that the Agency's budgeted expenditures and actual expenditures during the year were different, resulting in nonmaterial noncompliance budgetary violation.

Status: As a corrective action, management brought the overage to the Board and subsequently amended the fiscal year 2020-2021 budget accordingly, which was approved by the Board in July 2021. Management more closely reviewed revenues received and expenditures to ensure compliance going forward and takes recommendations to the Board when appropriate. The Agency resolved this issue during the year ended June 30, 2022 with no similar findings.

TRILLIUM HEALTH RESOURCES
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2022

Program Name	Listing Number	through Grantor's Number	Federal Expenditures	State Expenditures
FEDERAL AWARDS				
U.S. Department of Housing and Urban Development				
SNAP Grant	14.267		$ 761,281	$ -
Shelter Plus Care	14.267		61,736	-
Special Needs	14.267		186,586	-
Total U.S. Department of Housing and Urban Development			1,009,602	-
Coronavirus Relief Fund	21.019		484,142	-
U.S. Department of Health and Human Services				
Substance Abuse and Mental Health Service Administration				
Passed through NC Department of Health and Human Services:				
Division of Medical Health, Developmental Disabilities, and				
Substance Abuse Services:				
Substance Abuse and Mental Health Service-Projects of Regional and National Significance	93.243		455,822	-
Block Grant for Community Mental Health Services - Community Based Program-Mental Health	93.958		3,741,050	-
Social Services Block Grant Community Development Disabilities Services Developmental Disabilities	93.667		785,581	-
State Targeted Response to Opioid Crisis Grant	93.788		4,517,399	-
Strategic Prevention Framework for Prescription Drugs Grant	92.243		1,102,269	-
Block Grant for Prevention and Treatment of Substance Abuse - Community Based Programs Substance Abuse	93.959		13,340,935	-
Total U.S. Department of Health and Human Services			23,943,056	-
Total Federal Awards and State Matches			25,436,800	-
STATE AWARDS				
NC Department of Health and Human Services				
Division of Mental Health, Developmental Disabilities				
and Substance Abuse Services:				
Single Stream Funding			-	49,012,465
Multidisciplinary Evaluation			-	639
Alcohol, Drug and Treatment Centers (ADATCs)			-	6,172,260
Transition to Community Living Initiative (TCLI)			-	
Emergency/Transition Coordinator			-	85,177
Individual Placement Support-Supported Employment (IPS-SE)			-	191,835
Transition Year Stability Resource (TYSR)			-	88,713
Community Living Assistance (CLA)			-	417,515
Subsidy Administration			-	90,001
Bridge Housing			-	193,473
Diversion			-	209,616
Transition Management Services (TMS)			-	634,289
Community Assertive Engagement			-	5,025
Emergency Housing			-	18,997
NC Disability Rights			-	480,367
Traumatic Brain Injury (TBI)			-	508,055
Substance Abuse PAC Training			-	589,197
Hope for NC			-	35,255
Crisis Services			-	8,106,874
Community Mental Health Block Grant (CMHBG)			-	78,064
Non-UCR State Appropriations			-	172,362
Total Division of Mental Health, Developmental			-	67,090,179
Total State Awards			-	18,077,714
Total Federal and State Awards			$ 25,436,800	$ 18,077,714

Note 1—Basis of presentation

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of Trillium Health Resources and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statement.

The Agency has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

The Agency has not contacted or made awards to any sub recipients.

Note 2—Summary of significant accounting policies

Expenditures reported in the schedule of expenditures of federal and state awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and State Single Audit Implementation Act, wherein certain types of expenditures are not allowable or are limited as to reimbursement.